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Economic Analysis Division
Emerging Markets Research
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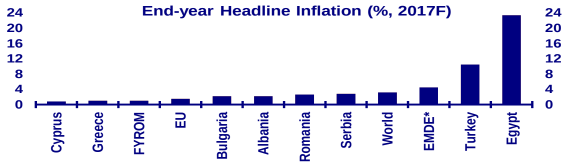
* EMDE: Emerging Market & Developing Economies



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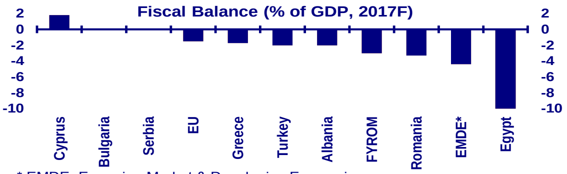

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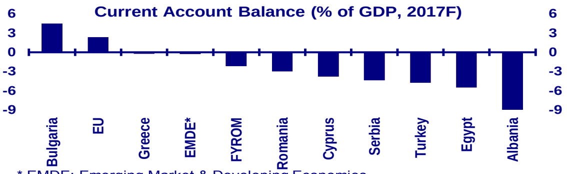
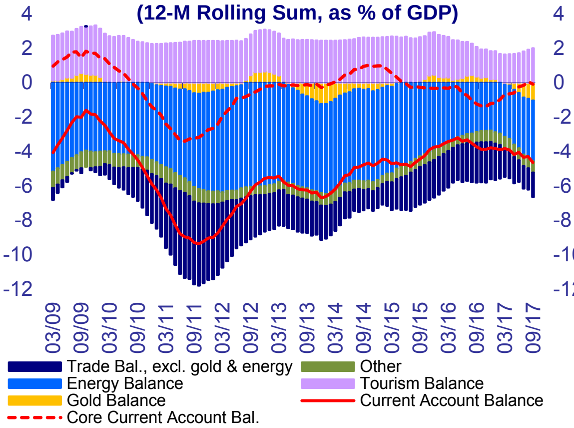


* EMDE: Emerging Market & Developing Economies

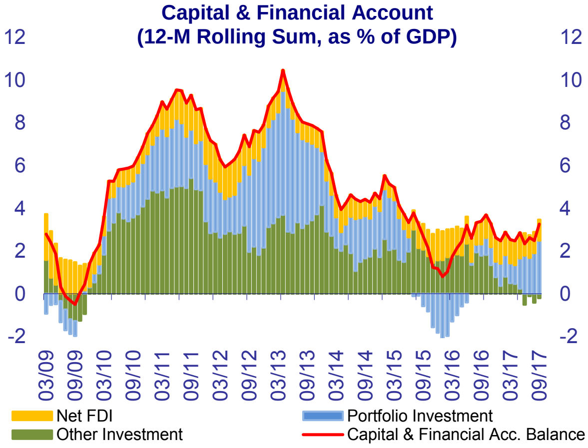
Turkey

BB / Ba1 / BB+ (S&P/ Moody's / Fitch)

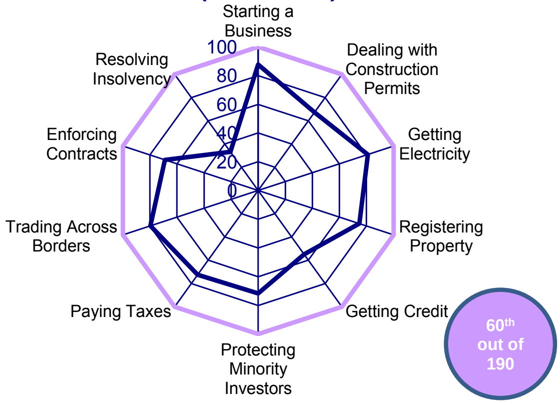
Current Account Balance (12-M Rolling Sum, as % of GDP)



Capital & Financial Account (12-M Rolling Sum, as % of GDP)



Ease of Doing Business Index 2018 (Score: 0-100)



	20 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.4	13.0	12.5	11.5
TRY/EUR	4.61	4.40	4.37	4.36
Sov. Spread (2020, bps)	211	200	180	150

	20 Nov.	1-W %	YTD %	2-Y %
ISE 100	103,912	-4.5	33.0	28.8

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	3.2	5.5	4.0
Inflation (eop, %)	8.2	8.8	8.5	10.5	9.0
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.8	-4.6
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-2.0	-2.3

A significant narrowing in the underlying current account deficit (CAD) in 9M:17 was more than offset by a sharp rise in gold imports and an unfavourable energy bill. The CAD rose by 0.9 pps y-o-y to 3.7% of GDP in 9M:17. Specifically, a deterioration in energy and gold balances (by 0.8 pps and 1.2 pps of GDP y-o-y, respectively) more than offset a significant improvement in the underlying (core) current account balance (excluding gold and energy). The deterioration in the energy balance was in line with global oil price developments and buoyant domestic demand, while that of the gold balance was driven by a sharp rise in gold imports (they reached 1.9% of GDP on a 12-month rolling basis in September – well above their end-2016 and long-term annual average of 0.7% of GDP).

Importantly, the underlying current account balance improved by 1.1 pp y-o-y, to a deficit of 0.1% of GDP in 9M:17, mainly on the back of the continued recovery in exports (up c. 13.0% y-o-y in USD terms). Exports were notably stronger to the EU, supported by stronger competitiveness of Turkish goods in global markets and firmer growth in the EU-28. A strong recovery in the tourism sector also contributed to the improvement in the underlying current account. Indeed, tourist receipts rose significantly, by 17.9% y-o-y or 0.4 pps of GDP y-o-y in 9M:17, following declines of 30.6% y-o-y in 9M:16, supported by the return of Russian tourists, the ease of domestic security concerns and the cheaper TRY.

The bulk of the CAD was covered through large (net) portfolio investments in 9M:17. The CFA balance improved by 0.7 pps y-o-y to a surplus of 3.8% of GDP in 9M:17, fully covering the CAD. Importantly, with the dissipation of political uncertainty after the mid-April referendum, the tightening of the monetary policy stance, and the rebound in economic activity, (net) portfolio investments rose sharply (up 1.8 pps y-o-y to 2.8% of GDP in 9M:17) and became the main source of financing of the CAD.

Due to negative (net) errors and omissions (minus USD 0.9bn y-t-d or -0.1% of GDP), FX reserves declined slightly, by USD 0.5bn y-t-d to USD 91.5bn in September – c. 4.7 months of imports of GNFS.

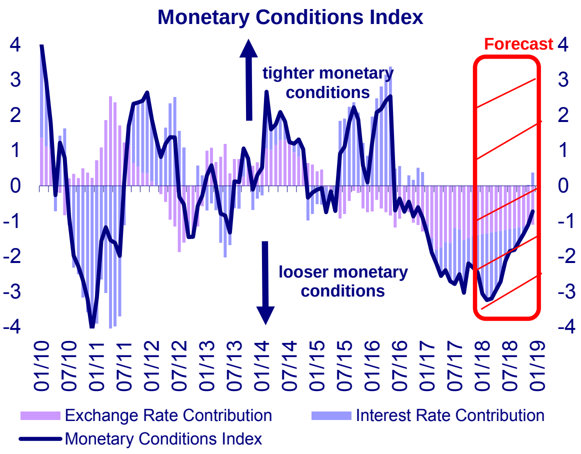
Going forward, we expect the current account to deteriorate further during the rest of the year, but at a slower pace (by 0.1 pp y-o-y to 1.1% of GDP in 10-12M:17), mostly due to gradually normalizing gold imports and a less unfavourable energy bill (the rise in the average price of Brent is expected to decline from c. 22.0% y-o-y in 9M:17 to c. 16.0% in 10-12M:17 in USD terms). Overall, we see the CAD rising to c. USD 40.0bn (4.8% of GDP) in FY:17 from USD 32.6bn (3.8% of GDP) in FY:16.

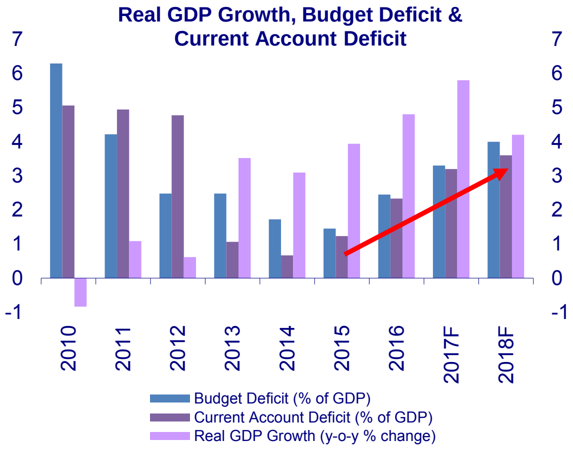
Turkey rises nine places in the World Bank's Ease of Doing Business Ranking 2018. Turkey rose to 60th place among 190 countries in this year's World Bank's Ease of Doing Business Ranking, more than reversing the past year's decline of 6 places. The improvement was broad-based. Indeed, six out of the ten areas assessed for the ranking improved, three remained unchanged and one deteriorated (see chart).

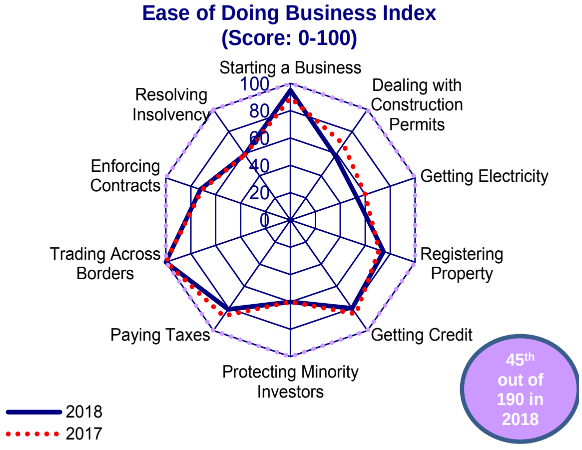
The area of "Registering property" posted the largest improvement, due to lower costs of transferring property. The area of "Getting credit" recorded the second largest improvement, on the back of strengthened access to credit through the adoption of a new law on secured transactions that establishes a unified collateral registry and allows out-of-court enforcement of collateral, on the one hand, and an improved credit reporting system through the adoption of a new law on personal data protection, on the other. The only area that recorded a deterioration was "Resolving insolvency".

Romania

BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)







	20 Nov.	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.2	2.4	2.6	2.8
RON/EUR	4.65	4.62	4.60	4.58
Sov. Spread (2024, bps)	124	120	116	110

	20 Nov.	1-W %	YTD %	2-Y %
BET-BK	1,643	-0.4	22.2	19.6

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.1	3.9	4.8	6.6	4.2
Inflation (eop, %)	0.8	-0.9	-0.5	3.0	3.8
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.1	-3.0	-3.6
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.3	-4.5

The NBR narrowed further its interest rate corridor (IRC), while maintaining its key rate on hold. At its last meeting of the year, the NBR Board kept its 1-week repo rate unchanged at a low of 1.75% for a 29th consecutive month. At the same time, it narrowed further its IRC (set by the overnight deposit rate and the Lombard rate) to ±1.0 pp around the policy rate from ±1.25 pps in October and ±1.5 pps in September. Note that the overnight deposit rate was the effective policy rate until recently, as money market rates (MMR) were very low, reflecting excess liquidity in the system. Their subsequent increase (the 1-month MMR currently stands at 2.2% against 0.7% in mid-September) was mainly the result of large interventions by the NBR in the FX market (estimated at EUR 2.7bn or 1.5% of GDP over the past 4 months) to sustain the RON (see below).

Nevertheless, effective monetary conditions remain loose (see our MCI), reflecting low interest rates (the *ex-post* 1-month real MMR is estimated at -0.4%, below its historical average of 0.9%) and a weak RON (the CPI-based REER is by down by an estimated 2.5% y-o-y), with the latter mainly due to fiscal concerns.

The NBR is likely to refrain from any policy rate hikes until February, but to continue with tight liquidity management. Overheating pressures are increasing rapidly in the economy, with GDP growth (projected at 6.6% in FY:17 and 4.2% in FY:18) running well above its long-term potential (of 3.0%), and the current account deficit rising sharply (to an estimated 3.0% of GDP in FY:17 and an estimated 3.6% in FY:18 from a low of 0.7% in FY:14). At the same time, fiscal imbalances are widening, due to tax cuts and a loose incomes policy (the budget deficit is projected to rise to 3.3% of GDP in FY:17 and, even more, to 4.5% in FY:18 from 2.4% in FY:16, above the EU threshold of 3.0%).

Against this backdrop, the NBR appears to be significantly behind the curve. In fact, Governor Isarescu has hinted that the NBR is unwilling to embark on an aggressive rate hiking cycle as long as the ECB and other regional central banks abstain, so as to prevent an inflow of "hot money".

Overall, we expect the NBR to continue its tight liquidity management, so as to keep MMRs close to the policy rate. Note that liquidity pressures are expected to increase over the last 2 months of the year, on the back of soaring budget financing needs. In our view, the first hike in the policy rate will only come in February, when inflation (up 2.6% y-o-y in October) is expected to exceed the upper-end of the NBR's target range (2.5±1%). The policy rate could reach 4.0% by end-2018 (0.8% in real and compounded terms against -0.3% currently).

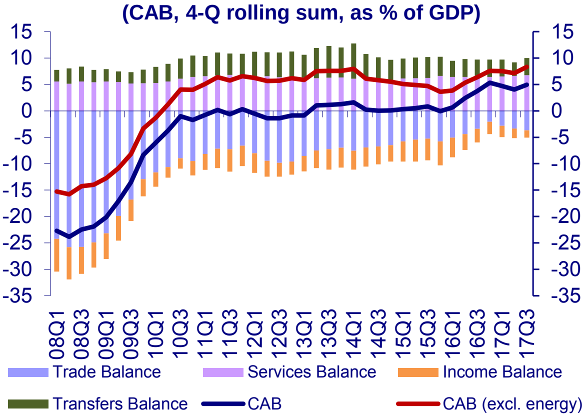
Romania fell 4 places to 45th in the World Bank's Ease of Doing Business Ranking 2018. This deterioration is mainly attributed to the increase in time required for businesses to comply with VAT obligations and the lack of progress in reforming the complex and time-consuming processes of getting a construction permit and connecting to the electricity network.

On a positive note, Romania improved the quality of its land administration system by digitizing ownership and land records and reduced the cost of starting a business (to 0.4% of total income from 2.0% previously, requiring 6 procedures and taking 12 days). Importantly, the WB report praised the lack of trade barriers, with Romania ranking 1st among 190 countries in the relevant category. All said, Romania remained the second best ranked economy in SEE-5, well below FYROM (11th), but close to Serbia (43rd).

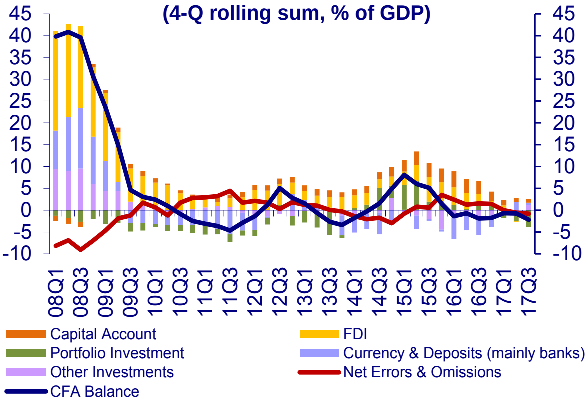
Bulgaria

BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

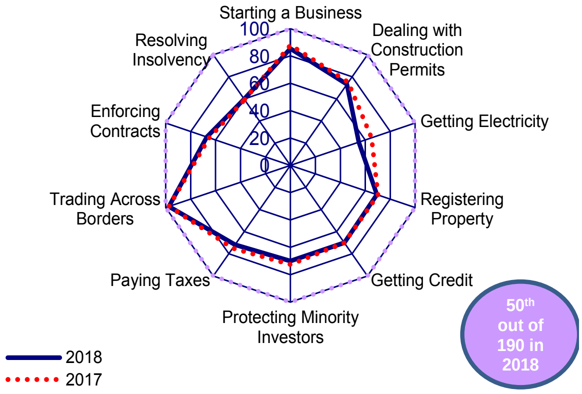
Current Account Balance (CAB, 4-Q rolling sum, as % of GDP)



Capital & Financial Account (CFA) and Net Errors & Omissions (4-Q rolling sum, % of GDP)



Ease of Doing Business Index (Score: 0-100)



	20 Nov.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	-0.1	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	52	54	52	50

	20 Nov.	1-W %	YTD %	2-Y %
SOFIX	669	0.0	14.1	52.1

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.3	3.6	3.9	3.8	3.6
Inflation (eop, %)	-0.9	-0.4	0.1	2.2	2.6
Cur. Acct. Bal. (% GDP)	0.1	0.0	5.3	4.5	3.2
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	0.0	-1.0

The 4-quarter rolling current account surplus (CAS) remained at a high level of 4.9% of GDP in Q3:17 against 5.3% in Q4:16. In 9M:17, the CAS narrowed by 0.5 pps y-o-y to 5.1% of GDP. Specifically, the trade deficit rose sharply in 9M:17 (up 1.6 pps y-o-y to 2.9% of GDP), mainly due to higher oil prices (the energy trade deficit rose by 1.1 pp of GDP y-o-y in 9M:17). The deterioration would have been sharper had non-energy exports not improved in 9M:17 (up 2.4 pps of GDP y-o-y). Indeed, despite deteriorating competitiveness (real wage growth -- currently at 8.5% y-o-y -- has far surpassed productivity gains in recent years -- c. 3.0% y-o-y), Bulgaria still benefits from very low production costs (total hourly costs are one-sixth of the EU-average). Importantly, pressures on the trade deficit were partly offset by the narrowing of the income deficit (down 1.0 pp y-o-y to 0.7% of GDP in 9M:17) mainly due to lower profit and dividend outflows.

The 4-quarter rolling capital & financial account balance declined to a deficit of -0.8% of GDP in Q3:17 from a surplus of 1.1% in Q4:16, largely due to base effects. Net portfolio investment declined sharply in 9M:17 (recording outflows of 2.5% of GDP against inflows of 2.8% in 9M:16, with the latter, however, including proceeds from the issuance of a sovereign Eurobond worth 4.2% of GDP and the former including a debt repayment worth 1.9% of GDP). At the same time, capital transfers fell (to 0.6% of GDP in 9M:17 from 2.1% in 9M:16), reflecting slower absorption of EU funds at the onset of the new EU programming period. Net FDI inflows also declined (to 1.1% of GDP in 9M:17 against 1.7% in 9M:16), due to lower greenfield investment.

On the other hand, capital outflows from banks were curtailed in 9M:17 (to 0.8% of GDP from 3.9% in 9M:17), pointing to stronger confidence in the domestic banking system, and net lending to the non-financial sector increased (with inflows of 0.2% of GDP in 9M:17 against outflows of 1.2% in 9M:16). All said, the overall balance deteriorated markedly in 9M:17 (by 4.4 pps y-o-y) to a surplus of 1.5% of GDP.

Bulgaria is set to remain the best performer in the region, despite the easing of the CAS to 3.2% of GDP in FY:18 from 4.5% in FY:17. Looking ahead, pressures on the trade deficit are set to persist, in view of strong domestic demand. The latter will be supported by a large fiscal stimulus (1 pp of GDP in FY:18 following 1.6 pps in FY:17).

With the current account remaining in surplus, covering external financing needs should not be an issue. Projecting that:

i) net FDI inflows rise slightly (to 1.5% of GDP in FY:18 from a projected 1.3% in FY:17);

ii) net portfolio investment outflows are contained (to 0.4% of GDP in FY:18 against a projected 2.0% in FY:17);

iii) the maturing debt rollover rate remains unchanged compared with the projected FY:17 level (at c. 95%); and

iv) capital transfers improve (to 1.5% of GDP in FY:18 from 0.8% in FY:17), due to the better absorption of EU funds,

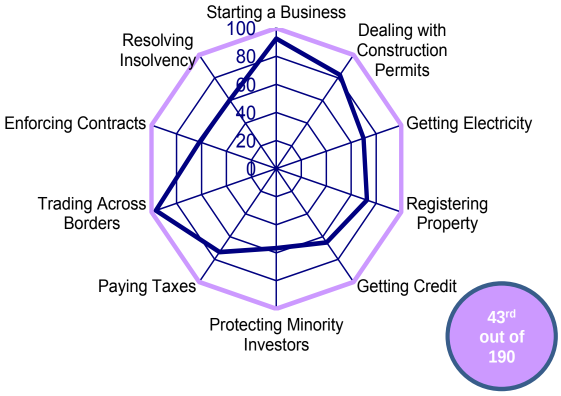
we see FX reserves rising further by EUR 2.5bn in FY:18 -- following a projected increase of EUR 1.0bn in FY:17 -- to EUR 26.0bn at end-2017 (10 months of GNFS imports).

Bulgaria falls 3 places to 50th in the World Bank's Ease of Doing Business Ranking 2018. The main factors behind this deterioration were: i) the hike in the cost of connecting to the electricity network; and ii) the higher tax burden for companies (amounting to 27.1% of profit), following the increase in the cost of "vignettes" (road tax). At the same time, slow progress was recorded in reforming the process for business start-ups (requiring 7 procedures, taking 23 days and costing 1.2% of total income).

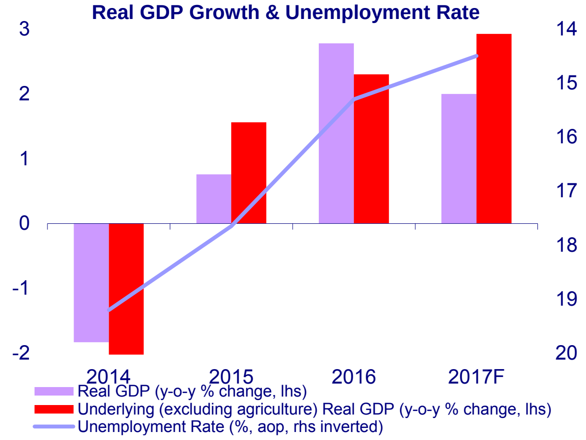
Serbia

BB- / Ba3 / BB- (S&P / Moody's / Fitch)

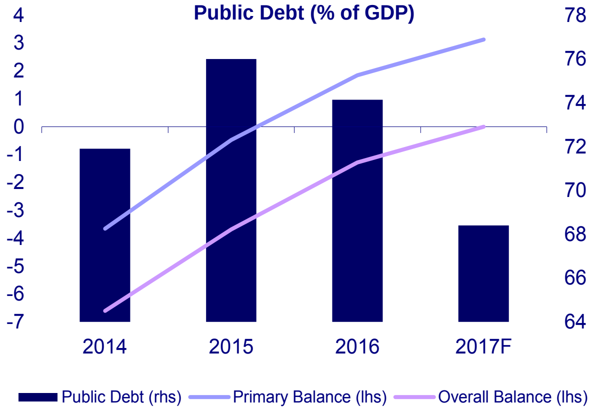
Ease of Doing Business Index 2018 (Score: 0-100)



Real GDP Growth & Unemployment Rate



Overall & Primary Fiscal Balances and Public Debt (% of GDP)



	20 Nov.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.8	3.2	3.4	3.8
RSD/EUR	118.6	119.8	120.0	120.3
Sov. Spread (2021, bps)	130	128	125	120

	20 Nov.	1-W %	YTD %	2-Y %
BELEX-15	734	-0.3	2.3	21.5

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	2.0	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.4	-4.4
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	0.0	0.0

The IMF reached a staff-level agreement with the authorities on the completion of the 8th and final review of the 3-year EUR 1.1bn precautionary SBA (3% of 2017 GDP). Following a 2-week visit that ended on November 7th, the IMF mission commended Serbia's strong performance since the signing of the SBA. This is reflected in:

i) the significant strengthening in (underlying) economic activity, prompting a sharp fall in the unemployment rate from 19.2% in 2014 to 13.2% in H1:17. Indeed, GDP growth is set to ease temporarily to 2.0% in FY:17 from the past year's post-global crisis high of 2.8%, due to the negative impact of a severe drought on energy and agricultural productions. Nevertheless, excluding agriculture, GDP growth is set to strengthen to a post-crisis high of 2.9% this year from 2.3% in FY:16.

ii) faster-than-expected fiscal tightening, with the consolidated fiscal deficit surpassing markedly the programme targets, for a 3rd successive year, due to stronger-than-expected revenue, leading to a lower-than-expected public debt-to-GDP ratio. In fact, the IMF expects a balanced budget this year -- well below the budgeted 1.7% of GDP. In view of this year's fiscal overperformance, the mission agreed with the Government to use part of the fiscal space in 2017 for once-off expenditures (including a bonus for pensioners and wage bonuses).

iii) well-anchored inflation, projected to remain within the NBS' target band of 3±1.5% (2.8% y-o-y in December according to our forecasts). In view of the subdued inflation and RSD appreciation, the mission agreed with the additional monetary policy easing in September and October (by 50 bps bringing the policy rate to 3.5%).

iv) good progress in structural reforms, despite delays. In fact, Serbia implemented reforms in state-owned enterprises (SOEs), including the reduction of arrears of the weak SOEs to the gas company, Srbijagas, and electricity company, EPS. It also implemented reforms in railways and privatized the pharmaceutical company Galenika. Nevertheless, the mission stressed the need for further progress on: i) ensuring the resolution of other SOEs, especially in the petrochemical and mining sectors; ii) reforming public administration and modernizing tax administration; and iii) passing laws for a new public wage system.

The approval of the review by the IMF Board is expected in late December. Although it will enable access to total funds of EUR 1.1bn available under the SBA, the Serbian authorities are expected to continue to treat the arrangement as precautionary.

Following the completion of the current arrangement in February, the Fund is expected to remain engaged with Serbia through the non-financing Policy Coordination Instrument (PCI), entailing the regular monitoring of economic developments and policies and their approval by the IMF Board. The PCI should maintain confidence in the Serbian economy and facilitate the access to global capital markets.

Serbia's competitiveness improved in the World Bank Ease of Doing Business Report for 2018. Serbia rose 4 places to 43rd among 190 economies. The improvement was the result of the implementation of three business reforms in the past year:

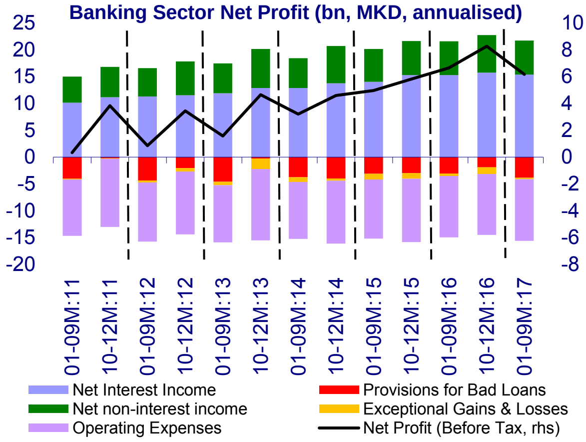
i) "starting a business", as the improvement in efficiency reduced the days needed to register a company (to 5.5 from 6.5, well below the OECD high-income economies average of 8.5 days), while the reduction in the signature certification fee prompted a drop in the registration cost (to 2.3% of income per capita from 6.5% a year ago);

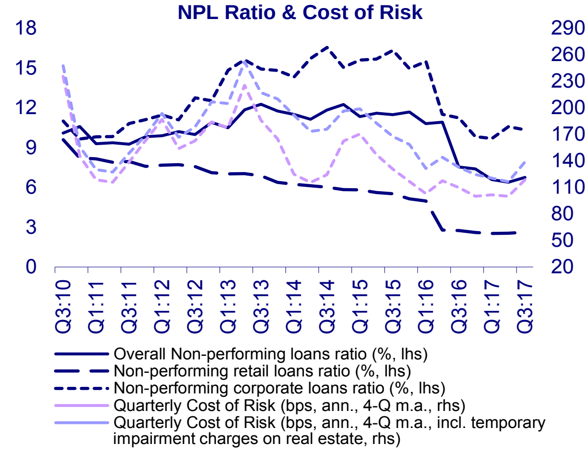
ii) "registering property", as the introduction of a geographic information system made property registration easier; and

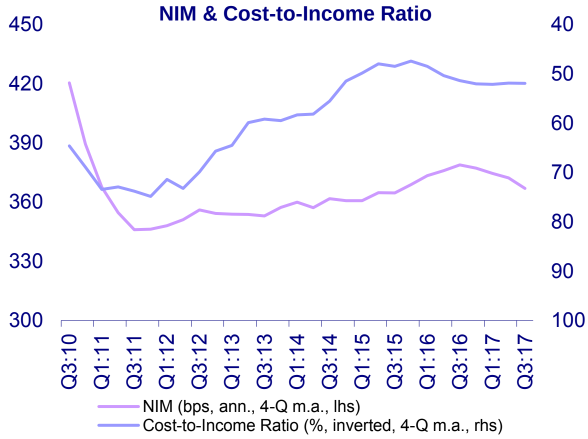
iii) "enforcing contracts", following the adoption of a law that broadens the responsibilities of enforcement agents and the powers of the courts during the enforcement process.

F.Y.R.O.M

BB- / NR / BB (S&P / Moody's / Fitch)







	20 Nov.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	251	245	240	220

	20 Nov.	1-W %	YTD %	2-Y %
MBI 100	2,550	-1.5	19.5	45.0

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.6	3.9	2.9	1.5	3.7
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-2.2	-1.9
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.0	-2.8

Banking sector net earnings declined by 7.5% y-o-y in 9M:17, due to elevated NPL provisions amid an adverse political and economic environment. Banking sector net profit (after tax) fell by 7.5% y-o-y to EUR 75.1mn (0.8% of GDP) in the first nine months of the year. The negative performance was due to banks' higher provisions for NPLs as a result of a sharp deterioration in economic activity (a contraction of 0.9% in H1:17 compared with an expansion of 2.9% in FY:16) and protracted political uncertainty ahead of the mid-October local elections. Note that political uncertainty dissipated only after the mid-October local elections, at which the new coalition Government secured a landslide victory (70 mayoral seats out of a total 81). In the period from late May when the SDSM-led coalition Government was formed (after 5 months of political vacuum) until the local elections, political uncertainty remained high, as the new Government controlled a slim majority in Parliament (62 out of 120 seats) and hinged on the support of four parties (3 of which are ethnic Albanians). As a result, the (annualised) ROAE and ROAA declined to 12.6% y-o-y and 1.4% y-o-y, respectively, in 9M:17, from 13.9% y-o-y and 1.6% y-o-y in 9M:16.

NPL provisions rose sharply by 25.7% y-o-y in 9M:17, despite a drop in the NPL ratio. In view of a steady decline in the NPL ratio, we believe that banks nevertheless increased NPL provisions in 9M:17 to deal, if necessary, with a worse-than-expected impact of the adverse political and economic environment on their loan books. The NPL ratio declined by 0.9 pps y-o-y to 6.5% at end-Q3:17. As a result, the (annualised) cost of risk rose by 25 bps y-o-y to 135 bps in 9M:17.

A modest rise in the PPI (before tax, up 1.3% y-o-y) in 9M:17 helped contain the deterioration in the bottom line. Net interest income (NII) rose by just 0.8% y-o-y in 9M:17, as the expansion in average interest-earning assets (up 4.6% y-o-y) was tempered by a weaker net interest margin (NIM, down 14 bps y-o-y to 362 bps in 9M:17). The negative performance of the NIM is mainly attributed to the fact that the blended lending rate declined at a faster rate than the blended deposit rate, reflecting tighter competition among banks for lending market shares and improving liquidity conditions (the loan-to-deposit ratio fell to 94.5% in 9M:17 from 95.7% in 9M:16).

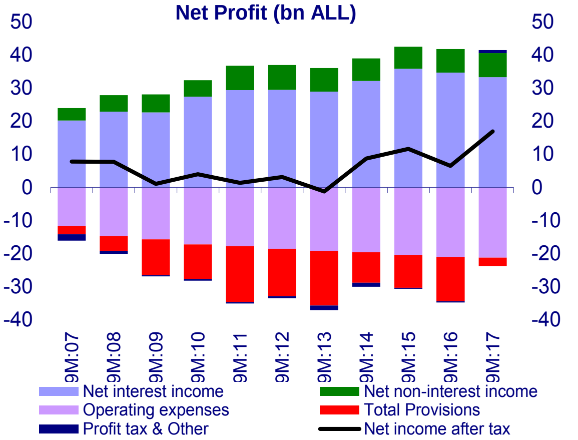
The 9M:17 top line was also supported by a modest rise in net non-interest income (NNII, up 0.9% y-o-y), mainly driven by higher net fees and commissions income, as well as a marginal increase in operating expenses (up 0.4% y-o-y), reflecting strict cost control.

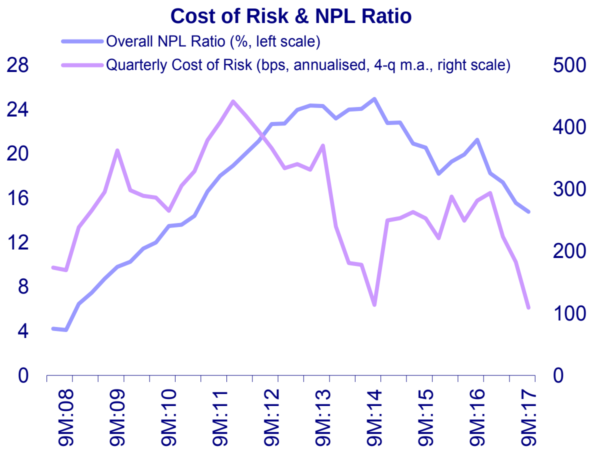
A reduction in a regulatory impairment charge related to banks' accumulated foreclosed assets also supported the bottom line in 9M:17. Banks' exceptional losses declined by 36.5% y-o-y in 9M:17 (absorbing 4.8% of net operating income compared with 6.8% in 9M:16), mainly reflecting lower impairment charges on banks' foreclosed property, due to higher sales ahead of the end-2017 regulatory deadline to dispose of their foreclosed non-financial assets.

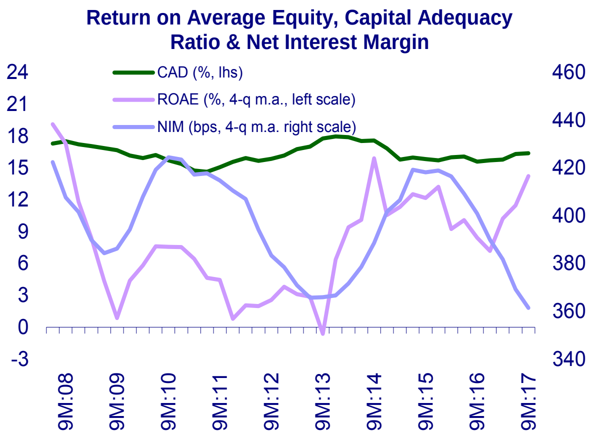
Banking sector performance to strengthen in Q4:17. We expect the bottom line to rebound in Q4:17, underpinned by lower provisions for non-performing loans, on the back of a broad-based economic recovery and the normalization of the political situation, as well as a pick-up in lending activity. The latter should be supported by: i) easing credit standards following the significant clean-up of banks' balance sheets in FY:16; ii) adequate liquidity; and iii) a strong capital base (15.8% in September). Overall, we see (annualised) ROAE improving by 2.6 pps y-o-y to 13.8% in Q4:17, partly reversing the deterioration in 9M:17. In the event, ROAE will reach 13.0% -- its second-highest level in the past 10 years after 13.6% in FY:16.

Albania

B+ / B1 / NR (S&P / Moody's / Fitch)







	20 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.4	132.3	131.7	130.7
Sov. Spread (bps)	212	210	200	180

	20 Nov.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.2	3.4	4.0	4.4
Inflation (eop, %)	0.7	2.0	2.2	2.2	2.6
Cur. Acct. Bal. (% GDP)	-10.8	-8.6	-7.6	-9.0	-8.4
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-2.0	-1.9

The banking sector's bottom line strengthened markedly on an annual basis in 9M:17, with ROAE returning to double digits. Net profit (after tax) increased to ALL 16.9bn (EUR 126.6mn or 1.1% of GDP) in 9M:17, more than 2½ times its level in 9M:16 and exceeding the FY:16 gains of ALL 9.3bn. The strong performance was almost exclusively due to lower provisions, following a sharp rise in FY:16 prompted by the bankruptcy of two large corporates. As a result, (annualised) ROAE and ROAA returned to double digits, up to (a 2-year high of) 16.3% and 1.6%, respectively, in 9M:17 from the corresponding levels of 6.8% and 0.7% in 9M:16, and 7.2% and 0.7% in FY:16.

The cost of risk eased significantly on an annual basis in 9M:17, in line with the sharp improvement in bank asset quality. P/L provisions declined sharply in 9M:17, amounting to just ⅓ of their level in 9M:16 and absorbing just 12.2% of pre-provision earnings in 9M:17, well below the 63.0% in 9M:16. This occurred due to the normalization in provisioning, following a once-off sharp rise in FY:16, due to: i) the bankruptcy of two large companies (namely, Albania's only steelmaker, Turkey's Kurum, and the 15% state-owned oil refiner, ARMO), and the concomitant pressure on related companies; and ii) strengthened supervision by the BoA that led to NPL reclassifications in FY:16. The decline in provisions also reflects a lower NPL ratio (the share of substandard, doubtful and loss loans in total loans), down sharply by 5.2 pps y-o-y to a 6½-year low of 14.8% in Q3:17 from 18.3% in Q4:16 and a post-crisis peak of 25.0% in Q3:14. This was supported by: i) strengthening economic activity and improved collection; ii) reversals (write-backs) of NPL provisions (supported by loan restructuring, amounting to ALL 6.2bn in H1:17, or 1.2% of end-2016 stock of loans); and iii) the 2015 regulation mandating the obligatory write-off of loans held in "loss" category for more than three years (write-offs amounted to ALL 43.3bn in Q1:15-Q2:17, or 8.5% of end-2016 stock of loans). As a result, the (4-quarter rolling) cost of risk fell sharply, by 173 bps y-o-y to (a 3-year low of) 109 bps in Q3:17 from 295 bps in Q4:16.

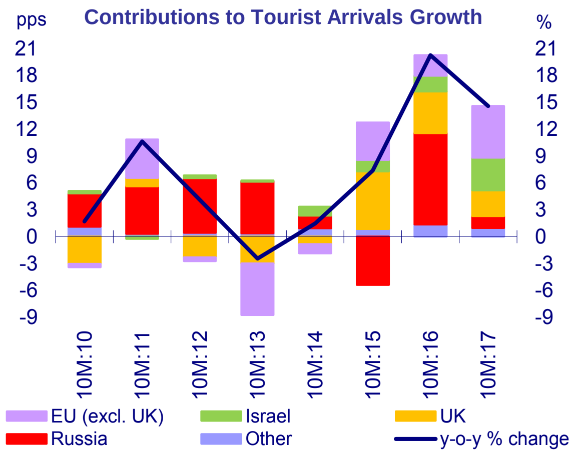
Pre-provision earnings weakened in 9M:17. Pre-provision earnings were down by 2.1% y-o-y in 9M:17, following declines of 8.5% in 9M:16 and 6.4% in FY:16, due to the continued fall in net interest income (NII) and higher operating expenses. Indeed, NII (82.1% of gross operating income) fell by 4.0% y-o-y in 9M:17 following a decline of 3.7% in FY:16, as higher average interest earning assets (up 6.0% y-o-y in 9M:17, supported by a sharp rise in securities) were more than offset by the compression of the NIM (down 38 bps y-o-y to 346 bps in 9M:17 -- its lowest level on record -- from 384 bps in FY:16). The compression of the NIM occurred as the improvement in core NIM, on the back of the declining share of higher-costing time deposits (55.2% of total deposits in 9M:17 from 60.2% in 9M:16), was more than offset by the decline in non-core NIM, in line with the drop in government domestic debt yields.

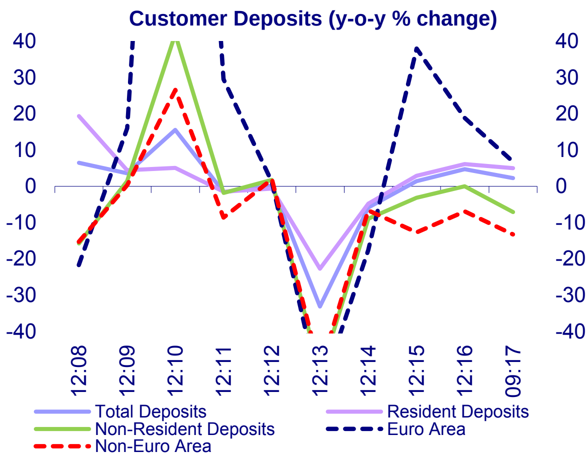
Furthermore, operating expenses rose by 1.1% y-o-y in 9M:17 (including a 2.5% rise in personnel expenditure in 9M:17) -- yet below the 1.7% y-o-y average inflation in the same period. With operating income declining and operating expenses rising, the cost-to-income ratio deteriorated, rising by 2.1 pps to 52.5% in 9M:17, above the FY:16 outcome of 51.3%.

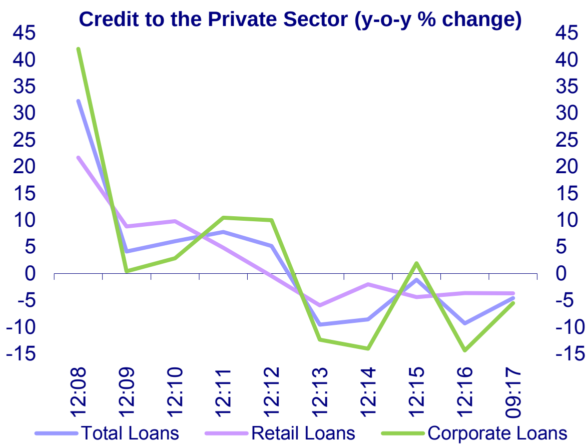
Banking sector profitability set to reach a post global crisis high in FY:17. Profitability is set to improve on an annual basis in Q4:17 as well, with the ROAE rising to an estimated 11.5% in Q4:17 from 8.3% in Q4:16. This should be primarily driven by a persistent decline in NPL provisions, following a once-off increase in FY:16 and a declining NPL ratio. Overall, we foresee FY:17 ROAE returning to double digits, rising to an estimated c. 15.0% from 7.1% in FY:16.

Cyprus

BB+ / Ba3 / BB (S&P / Moody's / Fitch)







	20 Nov.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.17	1.19	1.18	1.20
Sov. Spread (2020. bps)	123	110	100	80

	20 Nov.	1-W %	YTD %	2-Y %
CSE Index	72	-0.7	7.9	3.8

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.4	2.0	3.0	3.7	3.4
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-1.5	-4.9	-3.8	-3.0
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	1.8	1.8

Tourist arrivals posted a solid increase of 14.6% y-o-y in 10M:17, despite a slowdown from the main source countries (Russia and the UK). Following a sharp rise in tourist arrivals by 20.3% y-o-y in 10M:16 and a record-high 21.2% in FY:16, momentum continued in 10M:17, with an increase of 14.6% y-o-y. This deceleration from a very strong pace was mainly driven by a slowdown from the two largest source countries -- the UK and Russia (accounting for c. 60% of total arrivals in FY:16 and increasing by 7.9% y-o-y and 5.2% y-o-y, respectively, in 10M:17, compared with rises of 11.8% y-o-y and 50.7% y-o-y in 10M:16). The slowdown in British and Russian visitors can largely be attributed to their gradual return to neigbouring countries, Turkey and Egypt, due to easing domestic security concerns and more competitive prices. Indeed, Turkey has seen a strong rebound in the number of Russian and UK visitors (up c. 660% y-o-y and -5.6% y-o-y, respectively, in 9M:17 compared with declines of 3.6% y-o-y and 31.6% y-o-y in 9M:16), mainly reflecting the resumption of charter flights from Russia in September 2016 following the removal of Russian sanctions and more competitive prices. On the other hand, improved security conditions and a sharp depreciation of the domestic currency in Egypt is also likely to have diverted Russian and UK visitors from Cyprus.

The slowdown in overall tourist arrival growth was, however, tempered by a sharp rise in arrivals from the EU (excl. the UK) and Israel (accounting for 23.3% and 4.6%, respectively, of total arrivals in FY:16 and contributing 5.8 pps and 3.6 pps to tourist arrival growth in 10M:17, up from 2.3 pps and 1.8 pps in 10M:16).

Furthermore, tourist receipts have risen by a solid 13.5% y-o-y in 8M:17, broadly unchanged from 8M:16, as the slowdown in arrivals over the same period was offset by an increase in spending per tourist, reflecting both an increase in the number of overnights and spending per overnight per tourist.

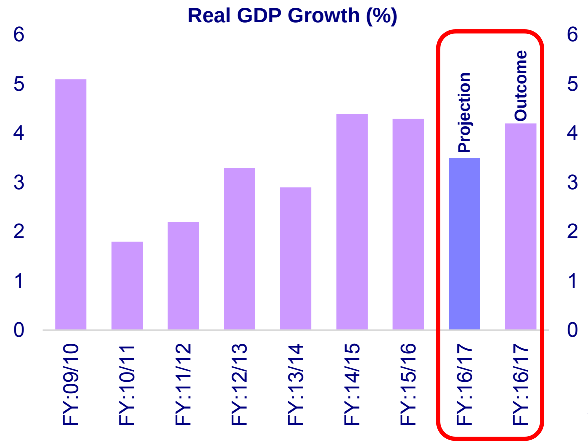
For the year as a whole and based on recent trends, we expect tourist arrivals to increase by c. 14.5% to a record-high of 3.7mn in FY:17. Moreover, in view of recent trends in spending per tourist, we expect tourist receipts to increase by c. 12.0% in FY:17 -- similar to FY:16. Thus, the tourism sector (accounting for 26.3% of the island's GDP according to the World Travel & Tourism Council -- WTTC) should contribute c. 1.3 pps to FY:17 GDP growth -- estimated at 3.7%.

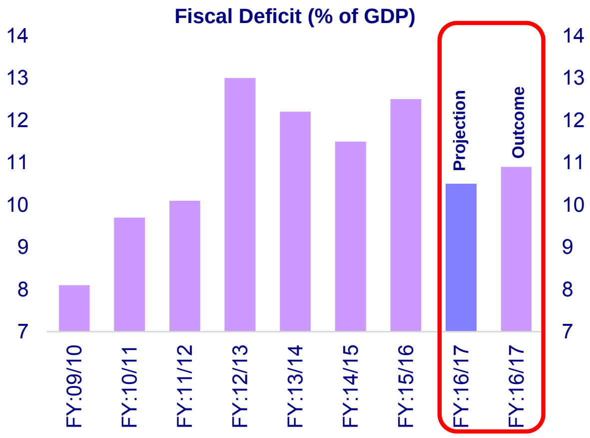
Banking sector deleveraging slowed in 9M:17, on the back of an increase in new corporate loans. Credit to the private sector fell by 4.6% y-o-y in September against a decline of 9.3% in December. The deceleration was exclusively driven by a milder decline in lending to corporates (down 5.5% y-o-y in September against a drop of 14.4% in December), reflecting new loan originations to corporates of a low credit risk profile. The rise in new loans to corporates was encouraged by the country's improved growth prospects (GDP growth is set to reach a post-crisis high of 3.7% this year), more favourable interest rates (average interest rates on long-term corporate loans have declined by 41 bps y-o-y to 387 bps in Q3:17) and a gradual reduction in banks' non-performing exposures (down to 45.2% of gross loans in July, from 47.0% at end-2016 and a peak of 49.7% in May 2016).

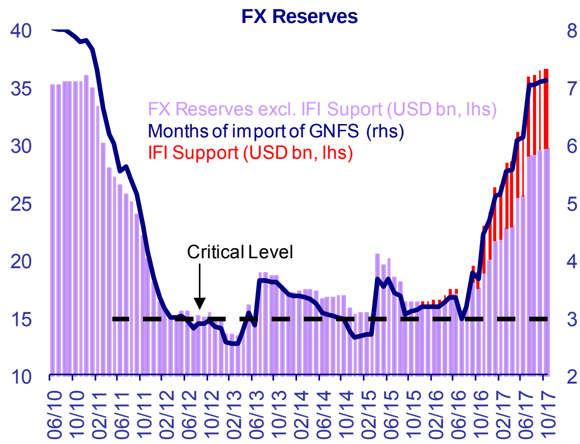
Customer deposits slowed in 9M:17, mainly due to a decline in non-resident deposits. Customer deposit growth was down to 2.3% y-o-y in September from 4.7% y-o-y in December. The deceleration was driven by non-residents (accounting for 22% of total deposits and down 7.0% y-o-y in September against 0.0% y-o-y in December) and, to a lesser extent, by Cypriot residents (up by a still robust 5.1% y-o-y in September against a rise of 6.1% y-o-y in December).

Egypt

B- / B3 / B (S&P / Moody's / Fitch)







	20 Nov.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	18.8	19.0	18.0	17.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	222	210	200	180

	20 Nov.	1-W %	YTD %	2-Y %
HERMES 100	1,298	-2.6	19.2	117.1

	13/14	14/15	15/16	16/17E	17/18F
Real GDP Growth (%)	2.9	4.4	4.3	4.2	4.6
Inflation (eop. %)	8.2	11.4	14.0	29.8	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-6.0	-6.6	-5.4
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.5	-10.9	-9.5

An IMF mission and Egyptian authorities reach a staff-level agreement on the second review of Egypt's economic reform programme, supported by a 3-year USD 12bn IMF Extended Fund Facility. The staff-level agreement is still subject to approval by the IMF's Executive Board and the completion of the review would make available about USD 2bn, bringing total disbursements under the programme to c. USD 6bn. At the end of the review, the Chief of the IMF mission underlined that:

Egypt's growth picked up during FY:16/17, with GDP rising by 4.2% compared with the projected 3.5%. This suggests that Q4:16/17 GDP growth stood at 5.0% y-o-y – well above its estimate of 2.7% -- in view of the first 3 quarters economic growth of 3.8% y-o-y. Encouragingly, the adjustment programme, through tight fiscal, monetary and incomes policies, has shifted the structure of economic growth from consumption towards exports and investments, which bodes well for strong and sustainable growth in the coming years.

Annual inflation peaked in July (to a 3-decade high of 33% y-o-y) and is expected to decline to about 13% in Q2:18/19. Recall that the July peak resulted from the implementation of bold reforms in the context of the ongoing programme, including: i) the floatation of the domestic currency (on November 3rd 2016, which has led to a sharp depreciation of the EGP by c. 50% against the USD since then); ii) sharp cuts in energy subsidies through price increases (fuel prices were increased by 30%-50% on November 3rd 2016 and by up to 50% on July 1st 2017, while electricity prices were hiked by 20-40% in early-August 2016 and by up to 42% on July 1st 2017); and iii) the replacement of the complex sales taxes by a VAT of 13% in early-September 2016 and the increase of the VAT to 14% on July 1st 2017.

The mission commended the prudent monetary policy stance of the Central Bank of Egypt (CBE), which is set to help reduce headline inflation to its target range of 10%-16% in Q2:18/19 and single digits thereafter. Note that the CBE has hiked aggressively its policy rates by 700 bps since the signing of the IMF deal in November 2016 (the O/N deposit rate, the O/N lending rate and the 1-w repo rate stand currently at 18.75%, 19.75% and 19.25% respectively), increased banks' reserve requirement ratios by 4 pps to 14.0% in mid-October, and continues to absorb excess liquidity through open market operations.

The overall budget deficit reached 10.9% of GDP, exceeding the target by 0.4 pps in FY:16/17; however, this was due to the higher-than-expected interest payments. This suggests that the fiscal deficit stood at 1.4% of GDP in the last month of FY:16/17 (June 2017), in view of the 11 month performance. Importantly, the primary deficit target of 1.8% of GDP was met and fiscal consolidation reached a multi-year high of 1.6 pps of GDP in FY:16/17. The strong fiscal performance in FY:16/17 was the result of both revenue-enhancing and expenditure-saving measures in the context of the IMF-supported programme, including the introduction of a VAT, the cut in energy subsidies and the reduction of the public sector wage bill.

Foreign exchange reserves increased significantly to record levels, reflecting the overall strong policy framework and credibility of the authorities' programme. FX reserves have almost doubled since the signing of the IMF loan, reaching an all-time high of USD 36.7bn (7.1 months of imports of GNFS) in October compared with USD 19.0bn a year earlier. Excluding IFI support, FX reserves rose to USD 29.7bn in October from USD 17.5bn a year earlier. The pick-up in FX reserves was supported, *inter alia*, by large FDI inflows, a sharp rise in foreign investments in domestic bonds and bills, and a significant recovery in workers' remittances from abroad.

FOREIGN EXCHANGE MARKETS, NOVEMBER 20TH 2017

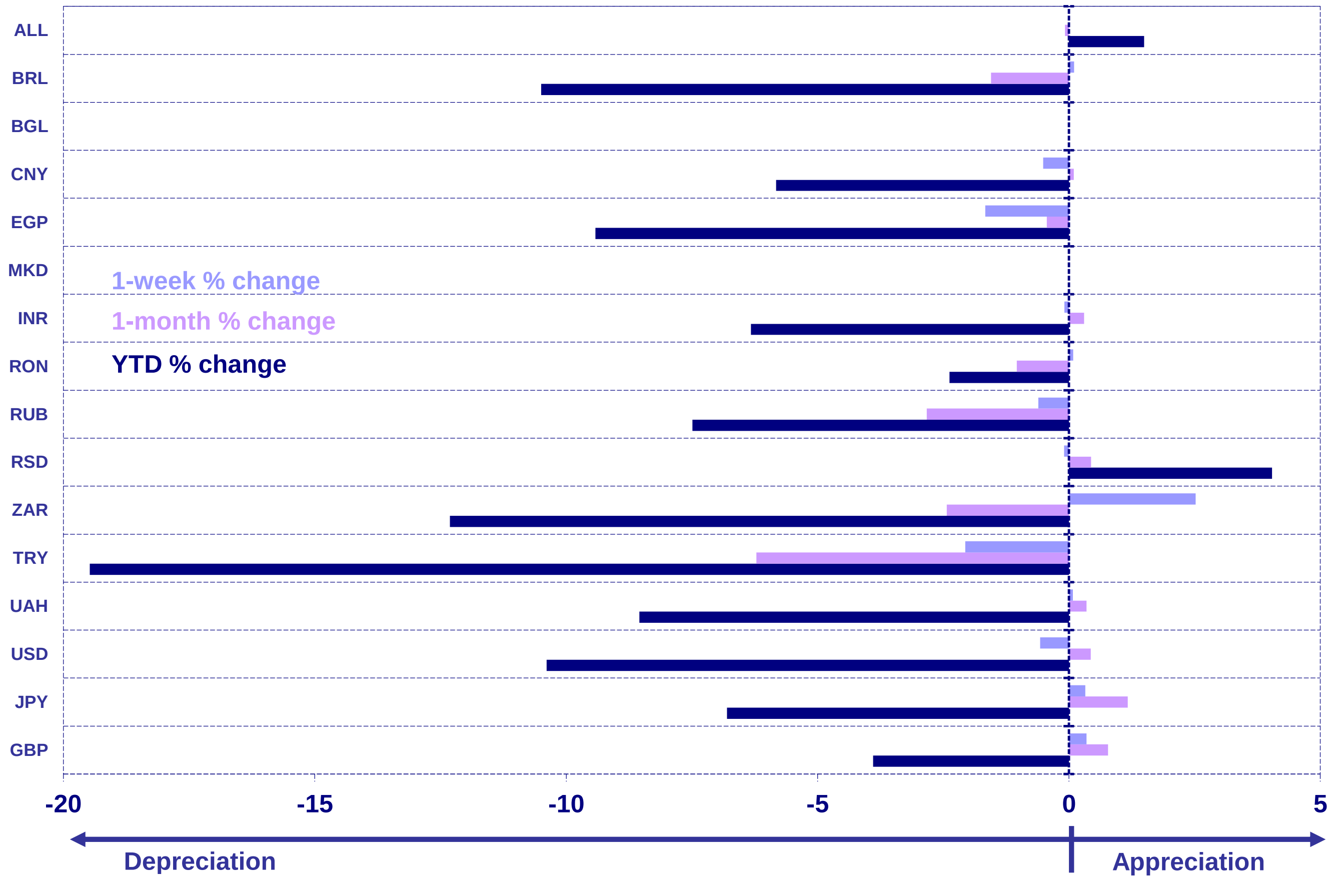
Against the EUR

Currency		2017										2016	2015
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	133.4	0.0	-0.1	1.5	1.6	132.1	137.3	133.7	133.7	133.2	1.2	2.0
Brazil	BRL	3.82	0.1	-1.5	-10.5	-6.8	3.23	3.93	4.10	4.10	4.10	25.7	-25.2
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.79	-0.5	0.1	-5.8	-6.4	7.20	7.99	8.17	8.17	8.16	-4.0	6.7
Egypt	EGP	20.83	-1.7	-0.4	-9.4	-15.6	16.62	21.29	- - -	- - -	- - -	-55.0	2.1
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	76.4	-0.1	0.3	-6.3	-5.3	68.2	77.8	81.5	- - -	- - -	0.4	6.6
Romania	RON	4.65	0.1	-1.0	-2.4	-3.0	4.49	4.66	4.68	4.71	4.79	-0.4	-0.8
Russia	RUB	69.7	-0.6	-2.8	-7.5	-2.6	59.5	72.1	71.1	72.4	75.1	22.9	-15.1
Serbia	RSD	118.6	-0.1	0.4	4.0	3.9	0.1	124.1	118.9	119.2	- - -	-1.5	-0.1
S. Africa	ZAR	16.5	2.5	-2.4	-12.3	-8.1	13.38	17.06	16.8	17.1	17.9	16.2	-16.6
Turkey	YTL	4.61	-2.1	-6.2	-19.5	-22.5	3.70	4.67	4.77	4.94	5.31	-14.7	-10.8
Ukraine	UAH	31.1	0.1	0.4	-8.5	-12.0	27.22	32.03	36.6	- - -	- - -	-8.6	-27.5
US	USD	1.17	-0.6	0.4	-10.4	-9.4	1.0	1.2	1.18	1.19	1.20	3.3	11.4
JAPAN	JPY	132.1	0.3	1.2	-6.8	-10.9	114.9	134.5	132.2	132.3	132.3	6.0	11.0
UK	GBP	0.89	0.3	0.8	-3.9	-4.1	0.8	0.9	0.89	0.89	0.90	-13.5	5.3

* Appreciation (+) / Depreciation (-)

** Forward rates have been calculated using the uncovered interest rate parity for Brazil, China, Egypt, India and Ukraine

Currencies against the EUR (November 20th 2017)



MONEY MARKETS, NOVEMBER 20TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	7.4	-0.1	2.8	- - -	18.8	- - -	- - -	2.1	8.2	- - -	12.9	7.4	13.6	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.1	8.1	2.5	- - -	8.0	- - -	- - -	- - -
S/W	1.4	7.4	-0.1	2.9	-0.4	- - -	1.2	- - -	- - -	7.4	2.5	- - -	7.3	14.3	-0.4	1.2
1-Month	1.6	7.3	-0.1	4.0	-0.4	- - -	1.5	6.3	2.2	8.3	2.8	13.4	7.4	15.6	-0.4	1.3
2-Month	- - -	7.1	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	8.5	2.9	13.5	7.9	- - -	-0.3	1.4
3-Month	1.9	7.0	0.0	4.6	-0.3	- - -	1.7	6.4	2.2	8.3	3.1	13.7	7.5	17.2	-0.3	1.4
6-Month	2.4	6.9	0.2	4.6	-0.3	- - -	2.0	- - -	2.3	8.3	3.2	14.1	7.9	- - -	-0.3	1.6
1-Year	2.9	7.1	0.7	4.6	-0.2	- - -	2.4	- - -	2.3	8.4	- - -	14.5	8.4	- - -	-0.2	1.9

LOCAL DEBT MARKETS, NOVEMBER 20TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.6	- - -	6.1	- - -	7.9	3.3	12.3	- - -	- - -	-0.8	1.3
6-Month	2.0	- - -	- - -	- - -	- - -	18.5	1.5	6.2	2.4	7.8	3.4	13.2	- - -	- - -	-0.8	1.4
12-Month	2.5	- - -	-0.3	3.7	- - -	17.8	1.9	6.3	2.6	7.4	3.5	13.5	- - -	14.1	-0.7	1.6
2-Year	2.8	- - -	- - -	3.7	- - -	- - -	- - -	6.5	3.0	7.4	- - -	13.7	8.1	- - -	-0.7	1.8
3-Year	- - -	- - -	-0.1	3.8	0.8	- - -	- - -	6.6	3.4	7.4	- - -	13.7	8.4	15.0	-0.6	1.9
5-Year	- - -	9.8	- - -	3.9	0.8	15.9	- - -	6.8	3.9	7.6	4.8	13.2	8.7	- - -	-0.3	2.1
7-Year	- - -	- - -	0.5	- - -	- - -	16.0	- - -	7.0	4.3	7.7	- - -	- - -	- - -	- - -	-0.1	2.3
10-Year	- - -	10.2	1.2	4.0	- - -	15.9	- - -	6.9	4.6	7.7	- - -	12.5	9.4	- - -	0.4	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.4	- - -	7.9	- - -	- - -	9.9	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.5	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.4	- - -	- - -	- - -	- - -	10.5	- - -	1.2	2.8

*For Albania. FYROM and Ukraine primary market yields are reported

CORPORATE BONDS SUMMARY, NOVEMBER 20TH 2017

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	0.6	137	96
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.7	400	827
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.5	104	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	8.0	66	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.7	194	171
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	109	56
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.4	312	270
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.6	234	193
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.2	265	221
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.4	434	418

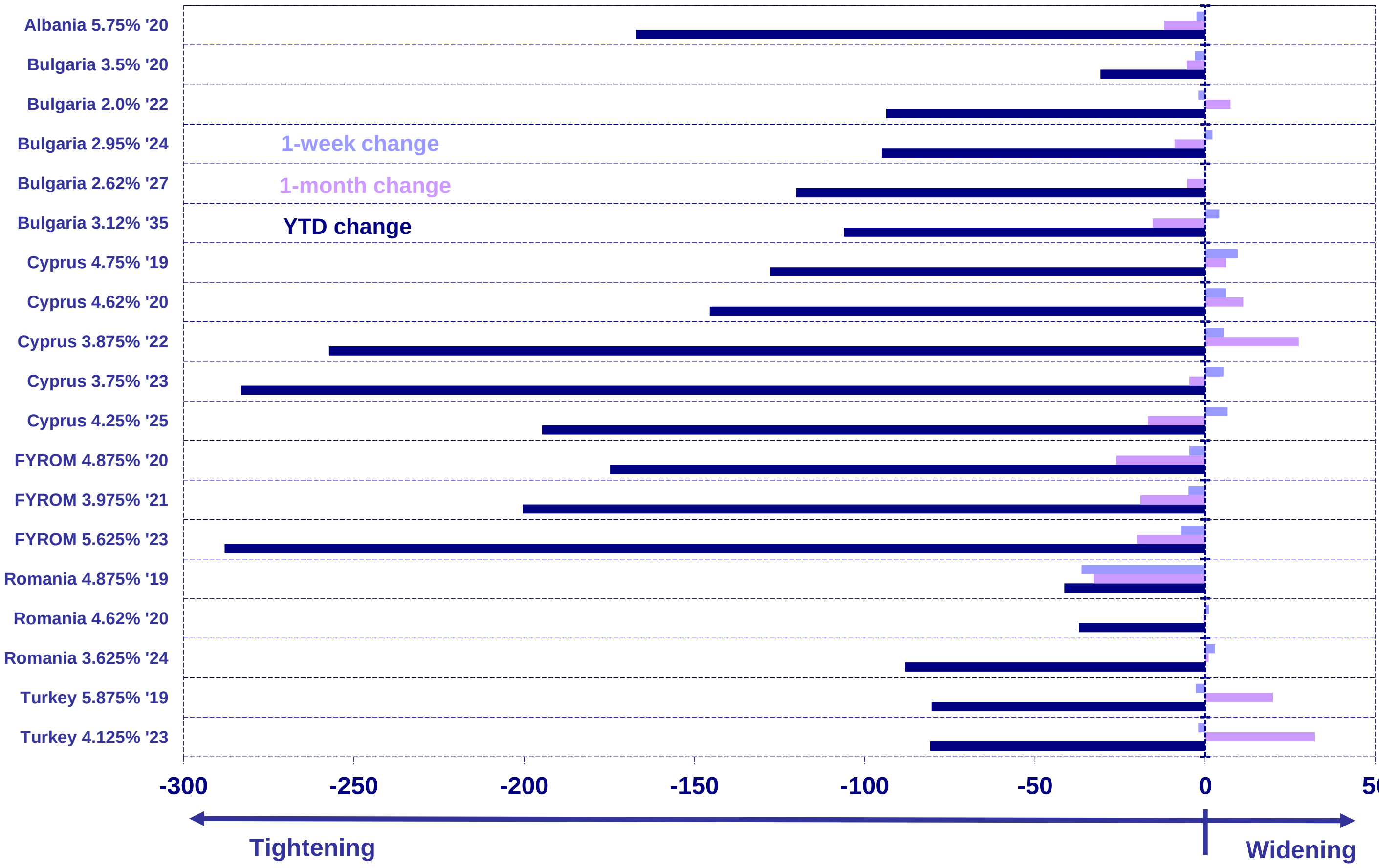
CREDIT DEFAULT SWAP SPREADS, NOVEMBER 20TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	173	100	61	231	355	- - -	80	101	132	129	216	191	- - -
10-Year	- - -	267	139	102	248	403	- - -	89	138	198	165	301	284	- - -

EUR-Denominated Sovereign Eurobond Summary, November 20th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.5	212	168
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.2	92	40
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.0	52	-6
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.7	76	28
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.2	88	54
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.3	141	104
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	199	0.2	96	56
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	668	0.5	123	73
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	0.8	126	73
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.1	129	84
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	1.5	149	107
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	1.7	237	191
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.0	251	422
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.9	316	285
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.0	75	27
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	66	15
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	124	85
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.9	167	129
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.9	314	273

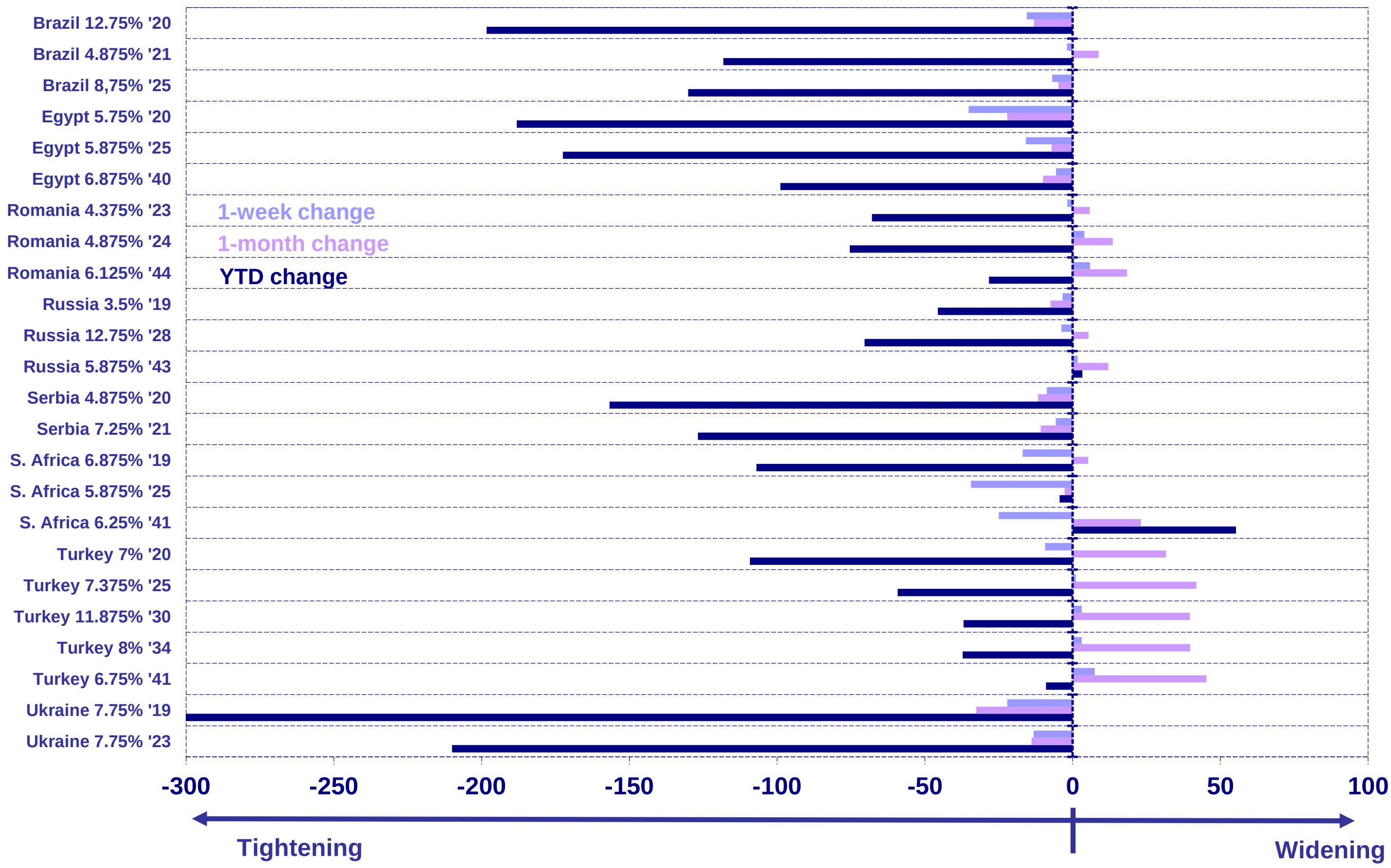
EUR-Denominated Eurobond Spreads (November 20th 2017)



USD-Denominated Sovereign Eurobond Summary, November 20th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	87	1.9	20	4
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,713	2.8	94	78
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	688	4.0	177	205
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.0	222	203
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.5	328	327
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	6.8	405	422
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.1	102	95
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.2	94	104
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.4	165	216
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.6	95	77
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.1	170	243
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.9	210	251
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.0	123	105
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.2	130	115
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.8	103	95
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.7	245	249
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.8	302	332
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	4.0	211	205
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	5.3	304	321
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.8	345	442
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	6.2	381	404
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	6.3	348	355
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	661	4.6	288	278
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.5	437	435

USD-Denominated Eurobond Spreads (November 20th 2017)



STOCK MARKETS PERFORMANCE, NOVEMBER 20TH 2017

	2017								2016		2015	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	73,437	1.3	-3.9	21.9	20.3	59,371	78,024	8.3	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	669	0.0	0.2	14.1	24.0	583	733	14.1	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,392	-1.6	0.4	9.3	5.4	3,017	3,450	2.6	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	72	-0.7	-3.9	7.9	8.2	65	79	7.9	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,298	-2.6	-0.7	19.2	29.2	1,071	1,356	7.2	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,550	-1.5	-3.0	19.5	13.2	2,135	2,706	19.5	16.5	16.5	-0.6	-0.6
India (SENSEX)	33,360	1.0	3.0	25.3	29.5	25,754	33,866	17.2	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,643	-0.4	-0.2	22.2	25.8	1,365	1,666	19.3	0.2	0.0	2.6	1.6
Russia (RTS)	4,299	-3.2	-1.7	-12.6	-5.1	3,838	5,089	-19.1	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	734	-0.3	0.9	2.3	8.0	694	753	6.4	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	60,501	1.1	4.4	19.4	19.6	50,338	60,590	4.7	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	103,912	-4.5	-4.2	33.0	37.6	75,657	115,093	7.1	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	303	-0.1	1.5	14.2	13.3	265	303	4.4	10.2	1.0	-37.8	-54.8
MSCI EMF	1,136	1.1	1.5	31.8	34.1	858	1,139	18.1	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,988	0.1	-0.5	18.1	22.3	1,677	2,014	5.8	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	710	-1.0	-5.2	10.4	15.3	602	860	10.4	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	13,059	-0.1	0.5	13.7	22.2	11,415	13,526	13.7	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,389	-0.3	-1.8	3.5	9.0	7,094	7,599	-0.6	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	23,430	0.0	0.4	18.6	23.6	18,883	23,602	6.2	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,582	-0.1	0.3	15.3	17.5	2,245	2,597	3.4	9.5	13.2	-0.7	10.6

Equity Indices (November 20th 2017)